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SUBJECT: KIRCHNERS: PRESENT AND FUTURE

Classified By: Ambassador E. Anthony Wayne, Reasons 1.4(b) and (d).

11. (C) Summary: In recent group and individual discussions with G-8 and Spanish Ambassadors, all agreed that Cristina Kirchner is trying to convey more interest in international affairs and to show that she is listening to concerns expressed by others. But her proposals for how she will govern are still fairly vague, she is still reliant on her husband for much of her advice, and she is hampered by his outbursts against what he perceives to be easy targets. Ambassadors agreed, however, that she will in all likelihood be Argentina's next President, and it is in everyone's interests that we work to "accompany her" as she seeks to evolve new policies and better relations with other countries. Ambassadors were also agreed that there was very little likelihood that Argentina would show any new flexibility on non-agricultural issues at the WTO or that there will be any movement on the Paris Club and other debt issues until after presidential elections. End Summary.

12. (SBU) Over the last week, Ambassador held group and individual discussions with the G-8 and Spanish Ambassadors about recent developments in Argentina and the emerging campaign of Cristina Kirchner to succeed her husband as President of Argentina. Following are highlights:

(SBU) Cristina Kirchner's July 22 - 25 visit to Spain

13. (C) Overall, Cristina Kirchner showed herself more open to discussion and dialogue than her husband, but her ideas for future policies are clearly not yet fully developed. She used a number of the same turns of phrases in Mexico 7/30-8/1 as she had in Spain to try to indicate that her policies will be different than her husband's, e.g. we are out of hell and into purgatory. But exactly what she means to do remains vague. Cristina K. presented her ideas in a forceful style, which some could perceive as aggressive, but she also engaged in very cordial give and take, according to the Spanish

Ambassador. She followed the media policies of her husband which the Spanish found a bit strange. She kept the Argentine press out of the loop and at a distance, which led to some misreporting and left the burden of briefing Argentine reporters largely on the Spanish. Cristina K. was interestingly much more open with the international press than the national press. Part of this seems to reflect her perception that the press in Argentina serves as the opposition to the government, because there are no effective opposition parties. But, it also reflects her husband's dislike of any give and take with the press. In the interviews with non-Argentine press which Cristina gave in Spain, she was articulate and effective.

14. (C) Meetings with the King were cordial and warm. So was the one-hour-long, private meeting with the Prime Minister which was designed to build personal relations and focused on the challenges of running a campaign for President. Meetings with and among ministers were productive but did not break new ground, according to the Spanish Ambassador.

15. (C) Cristina Kirchner went out of her way in both the government meetings and with business people to appear to listen to concerns and to indicate that the Argentina that she will lead is not the same Argentina that her husband took over in 2003. The implication was that she would be able to interact with business and with other nations in a different way than her husband had done in the immediate aftermath of the crisis. But she did not have details to share. She said she will address energy tariff rates/prices, for example, but without specifics, and then her good work was undermined when her husband called Spanish companies incorrigible for asking about future rates. Cristina did have one serious clash with the head of BBVA bank during a session with business leaders.

The Spanish banker posed a very acerbic question to Cristina Kirchner about her qualifications and how one could have confidence in her words. This led to a few heated moments in which she pointed out that the BBVA seemed to be making good profits in Argentina right now, but then she calmed the exchange down. Senior business and government leaders seemed to come away from their meetings with her hopeful that she will continue developing a friendlier view toward investment climate concerns and toward a more open view of the international scene.

(SBU) Nestor Kirchner Still Lashing Out

16. (C) G-8 Ambassadors lamented that Nestor Kirchner continues his practices of attacking easy targets for short-term calculations, noting recent criticism of the U.S. border wall with Mexico and German investment funds, as well as the Spanish business leaders. The UK Ambassador noted that Kirchner reportedly commissions regular polls to identify unpopular targets so he knows who he can safely attack. The German Ambassador speculated that the criticism of German banks was probably motivated by looking at their recent market actions on Argentine bonds, without considering the turmoil in most international markets as people sought to flee from risk. It only reminded one of Kirchner's parochial views of world developments. U.S. Ambassador noted that the remarks in Mexico on the U.S. border fence seemed designed to win applause from Mexican legislators. The Spanish Ambassador noted that in addition to his critical remarks about Spanish businessmen, Kirchner first thought the recent burning by striking workers of several fishing businesses in Santa Cruz Province was aimed at him and could not understand why the Spanish were expressing concern. When the President called the Ambassador to complain, the Spaniard noted that five of the companies concerned were Spanish and one was Japanese. Ambassadors agreed that Kirchner's calculations about when to lash out against unpopular targets appeared to be based largely on how to get the most boost domestically in the short term and often is used as a way to distract attention from the real problems linked to his administration. A bottom line effect, however, is to undermine confidence in Argentina among other governments and among international businessmen.

(SBU) Undermining Cristina's Efforts to Strike a New International Pose

¶7. (C) These tactics undermine Cristina Kirchner's efforts to strike a new pose and to show that she is more engaged and interested in international relations, ambassadors agreed, despite the fact that the President probably fully supports and no doubt helped craft the ideas she has put on the table so far. Cristina is planning to visit Germany in September and will have a short meeting with the Chancellor, according to the German Ambassador. The U.S. Ambassador noted her plans to visit New York City with her husband during the UNGA and to meet with business and banking sector reps as well as to attend the Clinton Global Initiative meeting.

(SBU) Cristina Likely to Win; Encourage Her Opening to the World

¶8. (C) G-8 and Spanish Ambassadors agreed that Cristina Kirchner is likely to win the October 28 presidential election, barring some major unforeseen event. Common knowledge was that she does not yet have a well-developed, substantive plan, but that her idea of a "social compact" appears to be based in part on the agreement forged in Spain

in 1979 which brought together political parties, business and labor unions into a national pact which helped sustain economic growth and strengthen democracy in Spain in subsequent years. The notion behind this seems to be that by getting some rules of the game agreed, the country might be able to maintain consistency in policies and social climate to help the economy keep growing and institutions strengthen.

Cristina also seems sincerely interested in more international engagement, Ambassadors said. In this sense, Ambassadors agreed that it seemed in our shared interests to do what we can to encourage this opening to the world and a more normal approach to interacting with other governments. Several Ambassadors thought they had seen signs that Cristina is less at ease with Hugo Chavez than is her husband. They also noted that Foreign Minister Taiana seems to have a good relationship with Cristina and personally would like to see Argentina move back to more cordial and balanced relations with Europe and the United States. Still, there was agreement that her ideas for change remain to be developed, that she is still rooted in the left of center tradition of Argentina, and that she does not yet have a team of advisors beyond her husband and a couple of key officials at the Casa Rosada. Still, as one ambassador put it, "we should accompany her" on this path and try to encourage a good evolution of her thinking.

(U) Doha and Paris Club

¶9. (C) None of the Ambassadors saw any hope that Argentina would ease its concerns on the non-agricultural tariff issues in the WTO negotiations (NAMA) until after Presidential elections. Neither did they see prospect for movement on Paris Club debt until next year.

(SBU) Repsol Sale

¶10. (C) The Spanish Ambassador said the sale of part of Repsol's shares in the Argentine oil company YPF to the Eskanazi family is nearing completion. He says the Eskanazis (an Argentine banking and business family) have business ties to Kirchner but are not personally close to him nor should they be considered his allies. They have won the respect of Repsol's corporate leadership, however. He noted that the sale will free up Repsol assets for deployment elsewhere and help provide more political cover for the Spanish firm in Argentina.

¶11. (C) Comment: None of our interlocutors are certain how Cristina Kirchner's policies will evolve. Her closest collaborator remains her husband. But there are glimmerings of opportunity for positive change, which we agree are worth encouraging.

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